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NCRC Urges Obama Administration To Mandate Loan Principal Reductions By Lenders & Ignore Calls For A “Do Nothing” Approach On Housing

Washington, DC -- National Community Reinvestment Coalition (NCRC) president & CEO John Taylor today urged the Obama Administration to ignore calls by some housing experts to “do nothing” on housing recovery. Instead, Taylor said the Administration should mandate loan principal reductions by mortgage lenders to prevent more foreclosures from throwing people out of their homes and flooding the market with vacant houses.

“A civilized country cannot embrace an economic policy that ignores human suffering. We can’t just turn away from the millions of families who are facing foreclosure for reasons beyond their control,” said Taylor, who has been advocating for mandated loan principal reductions since 2007.

“In the past four years we lost \$6 trillion in real estate values. Somebody has to eat that, and it shouldn’t be the people who had nothing to do with creating the economic crisis in the first place. We need big solutions for very big problems, not half way measures and certainly not intentional neglect,” said Taylor.

Federal Reserve data estimates that residential real estate values dropped from \$22.9 trillion in 2006 to \$16.5 trillion in 2010, and banks have refused in large measure to bear these losses by writing them down on their books. Some economists believe that if banks did so, it would hasten, not hamper, an economic recovery.

Since 2007, foreclosures have been steadily increasing and, as a result, slowing the economic recovery. The Administration tried unsuccessfully to reduce foreclosures by coaxing lenders to modify mortgages voluntarily. A new HUD effort, which gets underway today, is not expected to make a significant dent in the two million foreclosures expected this year. Housing experts estimate another four million homes compose a “shadow inventory” of failing mortgages that banks have not foreclosed on yet but will have to do so in the near future.

NCRC first called for a broad scale loan modification program in March of 2007. NCRC’s Homeowners Emergency Loan Program (HELP Now) would have the Treasury Department acquire mortgage loans at a discount through the powers granted to the Administration under TARP, or through the power of eminent domain.

This would allow for the permanent and sustainable modification of loans, including principal reductions, which could then be packaged and resold to the market. Prof. Howell Jackson of Harvard Law School has demonstrated how the government could use eminent domain in this instance.

About NCRC

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.

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